

**CITY CENTER DEVELOPMENT AUTHORITY AND BELLINGHAM  
DEVELOPMENT ASSOCIATION  
Whatcom County, Washington  
September 1, 1991 Through December 31, 1993**

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**Schedule Of Findings**

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1. Required Financial Statements Should Be Prepared And Accounting Records Should Be Maintained

Certain records for the City Center Development Authority (CCDA) were not readily available and financial statements for the period September 1, 1991, through October 31, 1992, were not prepared.

RCW 40.14.070 states in part:

Except as otherwise provided by law, no public records shall be destroyed . . . unless:

- (1) The records are six or more years old;
- (2) The department of origin of the records has made a satisfactory showing to the state records committee that the retention of the records for a minimum of six years is both unnecessary and uneconomical . . . or
- (3) The originals of official public records less than six years old have been copied or reproduced by . . . process approved by the state archivist which accurately reproduces or forms a durable medium for so reproducing the original.

RCW 43.09.230 states in part:

The state auditor shall require from every taxing district and other political subdivisions financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class.

The entity failed to properly maintain records and prepare required financial statements in large part due to personnel changeover and the reorganization of CCDA into Bellingham Development Authority (BDA).

We consider this condition to be a material weakness in the internal control structure.

When accounting records are not retained and financial statements are not prepared, we are unable to conduct a complete audit of the entity's activities. In addition, the general public and other interested parties are denied access to the financial information.

We recommend the entity ensure all public records are properly retained. In addition, we recommend required financial statements be prepared.

2. Adequate Accountability Over Assets Should Be Maintained

During our audit we noted adequate control was not maintained over public assets as follows:

- a. The transfer or disposition of fixed assets which were in the possession of CCDA at the time of its reorganization into BDA was not adequately controlled. Entity officials were unable to locate all of the assets or provide evidence as to the proper disposition of those assets. In addition, we noted that a street cleaner is currently in the possession of a nonprofit downtown business association.
- b. Several bank accounts, still in the name of CCDA, have funds which have not been transferred to the control of BDA officials. Authorized check signers on these accounts are no longer public officials.

Article VIII, Section 7 of the *Constitution of the State of Washington* states in part:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm . . . .

RCW 43.09.200 states in part:

The state auditor, through such division, shall formulate, prescribe, and install a system of accounting and reporting . . . .

The accounts shall show the receipt, use, and disposition of all public property . . . .

The *Budgeting, Accounting and Reporting System* (BARS) manual, as promulgated by the Office of State Auditor, Volume 1, Part 3, Chapter 7.B, states in part:

Accountability means the obligation to demonstrate good management of or control over those matters for which a person or agency is responsible . . . . Accountability for fixed assets is required for all local governments, regardless of size.

The lack of adequate controls over public assets resulted from the confusion due to reorganization of CCDA into BDA. Many of the assets owned by CCDA were of little or no value to BDA operations, therefore, oversight of those assets was not sufficient to ensure accountability.

The lack of accountability over public assets could result in errors and irregularities occurring without detection. In addition, public funds could be utilized for purposes for which they were not intended.

We recommend BDA officials determine the funds which are currently on deposit in bank accounts in the name of CCDA and take the steps necessary to transfer those funds to the custody of BDA. In addition, we recommend BDA officials ensure they have possession of all fixed assets and implement procedures to ensure fixed assets are adequately safeguarded. Those assets which are of no value or use to the entity should be disposed of in accordance with requirements applicable to public entities.

3. The Bellingham Development Association Should Comply With Their Charter And Bylaws

During our audit we noted that the association was not in compliance with requirements as follows:

- a. The association has not obtained public liability insurance nor an employee fidelity bond.
- b. The association has not filed a listing of the officers with the City of Bellingham Finance Director.
- c. An annual report of the association was not prepared, audited, nor filed with City of Bellingham officials.

RCW 35.21.745 states in part:

Any city, town, or county which shall create a public corporation, commission, or authority pursuant to RCW 35.21.730 or 35.21.660, shall provide for its organization and operations and shall control and oversee its operation and funds in order to correct any deficiencies and to assure that the purposes of each program undertaken are reasonably accomplished.

The City of Bellingham has provided for the organization of such entities with city Ordinance No. 9478 and provisions of the Bellingham Municipal Code.

Article II of the association's charter states:

The Association shall maintain in full force and effect public liability insurance in an amount sufficient to cover potential claims for bodily injury, death or liability and for property damage, which may arise from or be related to the projects and activities of the Association. The amount of said insurance shall be subject to the review and approval of the City, and the City shall be named as additional insured.

In addition, Article VI, Section 4(b) of the charter states:

Any corporate officer responsible for accounts and finances shall file with the President of the Association a fidelity bond, executed by a surety company authorized to do business in the State of Washington, in such amount as may be determined by the Board of the Association to be adequate and appropriate. Such officer(s) may hold the corporate office only so long as such bond continues in effect.

Article VI, Section 4(c) of the charter states:

The Secretary shall be responsible for preparing and transmitting to the City Finance Director a list of the officers of the Association. The list shall contain the name, address and telephone numbers of each officer (both residence and work). The list shall be kept current. Changes in the information contained on said list shall be transmitted to the Finance Director within thirty (30) days of their occurrence.

Article III, Section 2 of the bylaws states:

The Association shall within three (3) months after the end of its fiscal year, file an annual report with the City Finance Director, the City Council and the Mayor's designee containing an audited statement of assets and liabilities, income and expenditures, and changes in its financial position during the previous year; a summary of significant accomplishments; a list of depositaries used; a projected operating budget for the current fiscal year; a summary of projects and activities to be undertaken during the current year; a list of corporate officials; and a list of corporate officials bonded pursuant to Section 6.64.070.

In addition, Article III, Section 3 of the bylaws states:

... The Association shall annually engage an independent CPA firm to perform the appropriate level of services necessary to attest to the Association's financial statements, at the end of each fiscal year. The Board shall analyze and adopt the accountant's report within three months of its receipt.

The failure of the association to comply with requirements of its charter and bylaws, limits the information which is made available to appropriate City of Bellingham officials and the general public. This information may be needed for city officials to provide the proper oversight over the operations of the association. In addition, by not obtaining the required insurance coverage, the association has not limited the risk to which they are exposing the association and its officers and employees.

Association officials indicated that the charter and bylaws may have been set up with requirements which were too stringent for the entity. In addition, since city employees are involved in the day-to-day operations of the entity, they feel that the city has the information available with which to provide adequate oversight of its activities.

We recommend Bellingham Development Association adhere to the requirements of its charter and bylaws and/or coordinate efforts with the city to amend those requirements.